glendale corporation
annual report 1976

Index

AR40

TO THE SHAREHOLDERS

You will note, from the figures in this report that with sales of 21.6 million for this period and sales of 21.5 million for the six month period of last year, that we have a much improved position. The loss of $2 million last year has been reduced to $700,000 for the six month period this year. This improvement is due to our overall emphasis on cost reduction at all divisions and will continue for the balance of this year with further reductions possible.

The market place for our products is still showing regional variances, but our new marketing plans will help us penetrate and obtain a larger share of the market which should show an improved operating statement in spite of the still somewhat sluggish economy.

Our Australian division has again shown an increase in sales over the same period and has more than a 100% increase in profits for this period.

Morgan Firestone

D. Morgan Firestone
Chairman of the Board

glendale corporation

2 INTERIM REPORT

FOR THE SIX MONTHS ENDED MAY 31, 1976

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glendale corporation

(Prepared without Audit)

CONSOLIDATED STATEMENT OF EARNINGS

for the Six Months Ended May 31, 1976

GLENDALE CORPORATION
and its Subsidiaries

	Six Months Ended May 31, 1976*	April 30, 1975*
Net Sales	**$21,614.7***	$21,525.7
Manufacturing, Selling and Admin. Expenses	**21,023.4**	23,300.7
Interest Expense	**872.7**	839.3
Depreciation	**419.5**	440.9
	22,315.6	24,580.9
Loss before Taxes	**628.2**	3,055.2
Income Taxes	**72.7**	(988.3)
Net Loss	**$ 700.9**	$ 2,066.9

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the Six Months Ended May 31, 1976

(Prepared without Audit)
GLENDALE CORPORATION
and its Subsidiaries

	Six Months Ended May 31, 1976*	April 30, 1975*
Funds Provided:		
Sale of Fixed Assets – Net	**$ 45.6**	$
Issue of Shares	**37.8**	
	83.4	
Funds Applied:		
Funds Applied to Operations	**281.4**	2,046.4
Purchase of Fixed Assets – Net		242.8
Reduction of Long-Term Debt	**243.9**	360.3
Decrease in other Assets	**18.7**	7.3
	544.0	2,656.8
Decrease in Working Capital	**$ 460.6**	$ 2,656.8

* *In 1975 the company's fiscal year end was changed from Janaury 31 to November 30. The comparison shows the closest comparable periods as approved by the Ontario Securities Commission.*

Corporate Headquarters:

Head Office,
P.O. Box 249,
Strathroy, Ontario
N7G 3J2

Executive Offices,
353 Iroquois Shore Road,
Oakville, Ontario.
L6H 1M3

Canadian Manufacturing Divisions:

Glendale (Quebec) Ltée.,
Quebec Homes Division,
P.O. Box 790,
St. Joseph de Beauce, Quebec.
G0S 2V0

Glendale Corporation,
Ontario Homes Division,
P.O. Box 40,
Strathroy, Ontario.
N7G 3J1

Glendale Corporation,
Ontario Recreational Vehicles Division,
145 Queen Street,
Strathroy, Ontario.
N7G 3J6

Glendale Corporation,
Western Homes Division,
P.O. Box 6300,
Wetaskiwin, Alberta.
T9A 2E9

Prebuilt Industries Ltd.

Executive Offices, Recreational Vehicle Sales and Manufacturing, Industrial Manufacturing:

Prebuilt Industries Ltd.,
P.O. Box 249,
Lethbridge, Alberta.
T1J 3Y6

Prebco Parts and Accessories, Industrial Sales, Recreational Vehicle Rentals:

P.O. Box 186, Station T,
Calgary, Alberta.
T2H 2G8

Australia Division

Recreational Vehicle and Modular Homes Sales and Manufacturing:

Glendale Corporation (Aust.) Pty. Ltd.,
P.O. Box 180,
Caboolture, Queensland 4510,
Australia.

Glendale-Firan Finance Corporation

353 Iroquois Shore Road,
Oakville, Ontario.
L6H 1M3

To the Shareholders

1976 will certainly be recorded as the year of the most significant changes in the history of Glendale Corporation. The Company underwent massive management reorganization. At the same time, we coped with a continuation of one of the poorest economic climates in the history of our industry that brought a number of our major competitors to their knees.

By mid-1976 it became obvious to me, as the Corporation's Chairman and controlling shareholder, that operating results would fall far short of 1976 objectives; that, if our Company were to survive, drastic corrective actions would have to be taken at corporate level. Therefore, in August I assumed the responsibilities of the Company's Chief Executive Officer with all Divisions reporting directly to me. Later in the year it became necessary to take similar action at Prebuilt Industries Ltd., the Company's Alberta-based wholly-owned subsidiary. Fortunately no such action was required with our well-managed Australian subsidiary, which together with our Division General Managers, held the Company together in this perilous period.

As Chief Executive Officer, I became aware through my direct contact with the operating Divisions, that former operating and accounting procedures had resulted in a 1975 financial statement that did not accurately reflect the condition of the Company. I have therefore directed the restatement of 1975 operating results in keeping with the more realistic accounting principles which serve as the basis of the 1976 statements and future operations as well. You will note that the 1975 operating loss has therefore been increased by $926,000 and retained earnings at that date has been restated to a deficit of $1,484,000.

I would also like to point out that $414,000 of the 1976 reported operating loss of $2,673,000 represents a write-down of our industrial rental units to net realizable value.

Immediately upon assuming the position of Chief Executive Officer, I began the search for competent, professional top management executives to fill the void which had been created. By mid-October I was able to announce the appointment of John H. Slayter as the Company's Executive Vice-President and Chief Operating Officer. Mr. Slayter brought to Glendale Corporation impeccable credentials representing more than twenty years of industry experience in Canada, the United States and abroad. The benefits of Mr. Slayter's new operating policies and procedures are already being realized.

In keeping with our recognition of the need for experienced professional management, the December appointment of Garry W. Nelson as Vice President — General Manager of Prebuilt Industries Ltd. was announced. Mr. Nelson brings to Glendale's largest subsidiary the experience of an outstanding career in general management from a national Canadian Company in the building materials field. Reporting to myself, Mr. Nelson is rapidly implementing substantially revised policies and procedures to return this wholly-owned subsidiary to profitability.

In November the Company relocated its Executive Offices from Strathroy to Oakville, Ontario, in closer proximity to the Nation's business, communication and transportation centre.

Early in 1977 a newly formed subsidiary, Glendale-Firan Finance Corporation, began providing wholesale financing at competitive rates to qualified Glendale dealers for the purchase of the Company's products for resale.

Fortunately, with some of the oldest and most respected brand names in the Canadian industry, the Company's products and dealer organization continued to transcend the period of financial and operational ills, as evidenced by 1976 sales of more than $42.5 million. Needless to say, continuing support by the Company's banks and suppliers, together with the competence of the operating Divisions' general management, contributed substantially to seeing us through the most trying months.

We are confident that we have transcended the most difficult period with sufficient funds, as well as equity, to reposture the Company for a return to profitability. We are truly optimistic for 1977 and the positive effect of the drastic management decisions that events of 1976 dictated.

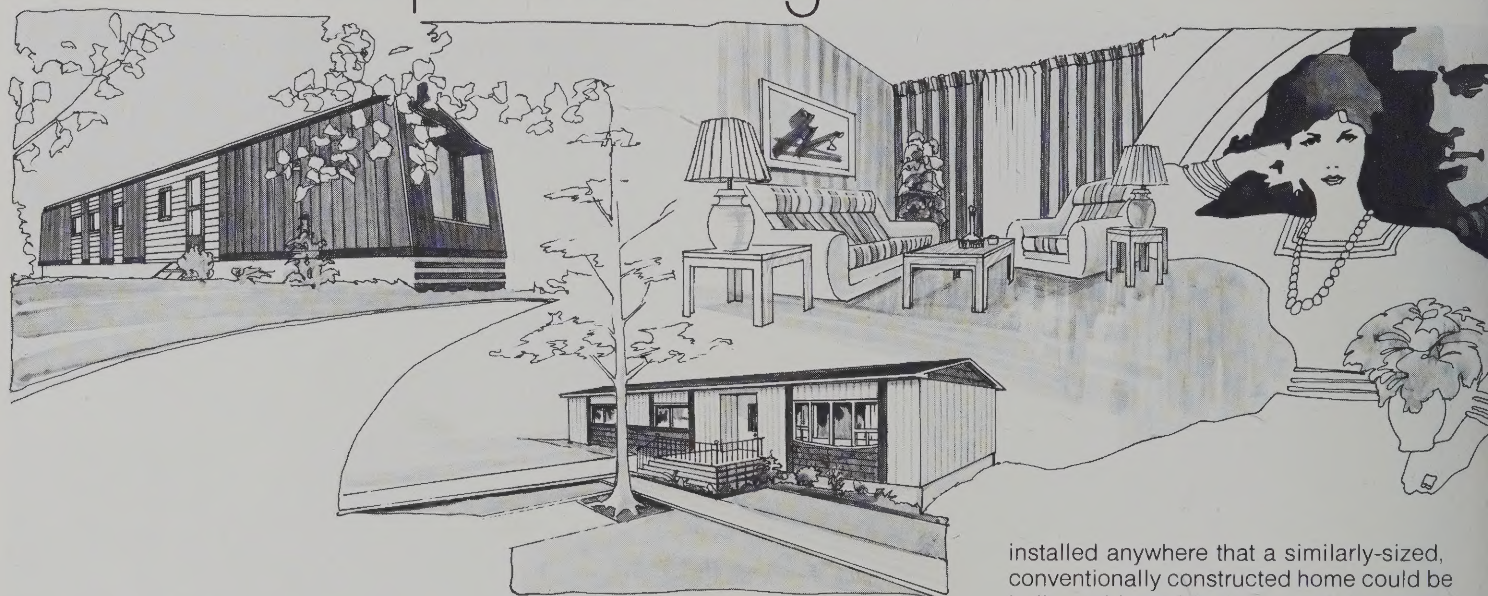
D. Morgan Firestone

D. Morgan Firestone,
Chairman and Chief Executive Officer.

D. M. Firestone
Chairman and Chief Executive Officer

J. Slayter
Executive Vice-President and Chief Operating Officer

Review of Operations by Division



QUEBEC HOMES DIVISION

Your Company's manufacturing division in St. Joseph de Beauce, Quebec was unable to perform in 1976 as originally anticipated. The pronounced deterioration of general economic conditions in the Eastern portion of the Province and in the Maritimes further aggravated the situation and contributed to the closing or failure of many of our competitors' Eastern operations.

Recognizing an opportunity created by this general economic condition, a concerted effort was made by Quebec management during the latter part of the year to substantially upgrade the division's dealer body in strength and number, and at the same time, completely reorganize the Company's distribution system to the Maritime Provinces for products manufactured in the Quebec facility.

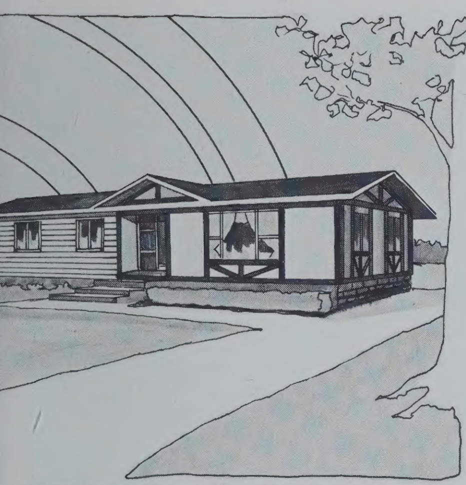
This action has resulted in the strongest order backlog for 1977 product in the history of the Quebec division and has prompted management to identify the Quebec Homes Division as having a high sales and profit potential for 1977.

ONTARIO HOMES DIVISION

During 1976 the Ontario housing market continued to deteriorate with a corresponding deterioration of sales for the mobile homes and sectional homes manufactured in our Strathroy, Ontario facility. Since this market deterioration is now in its third year, we are somewhat encouraged by the pent-up housing demand that has been created and positively encouraged by now readily available mortgage funds at more favourable rates. In anticipation of a strengthening market for single family, detached homes on private property, in subdivisions and within mobile home parks, we have redirected the Ontario Homes Division product objectives toward the manufacture of full code-complying, factory manufactured, modular homes. The entire 1977 product line manufactured by this division will fully meet all code-imposed construction requirements by the National Building Code, the Ontario Residential Construction Code, and the Central Mortgage and Housing Corporation for residential housing. This will enable our homes to be permanently installed anywhere that a similarly-sized, conventionally constructed home could be built, and in mobile home parks as well.

Although it is not intended that the Ontario Homes facility produce single-wide mobile homes in 1977, the division will continue to distribute and service mobile homes manufactured by the Company's St. Joseph de Beauce, Quebec facility to its Ontario mobile home dealers, thus providing additional profitable manufacturing volume to our Quebec facility, while at the same time allowing Ontario to reposture itself as a modular home producer. The Ontario Homes Division has already reinforced its excellent reputation for structural quality and workmanship with the introduction of a new consumer warranty program that meets or exceeds the home buyer protection plan required of conventional home builders. Additional interior and exterior innovations scheduled for introduction in 1977 will provide the home buyer with quality features normally found in more expensive, conventionally constructed homes.

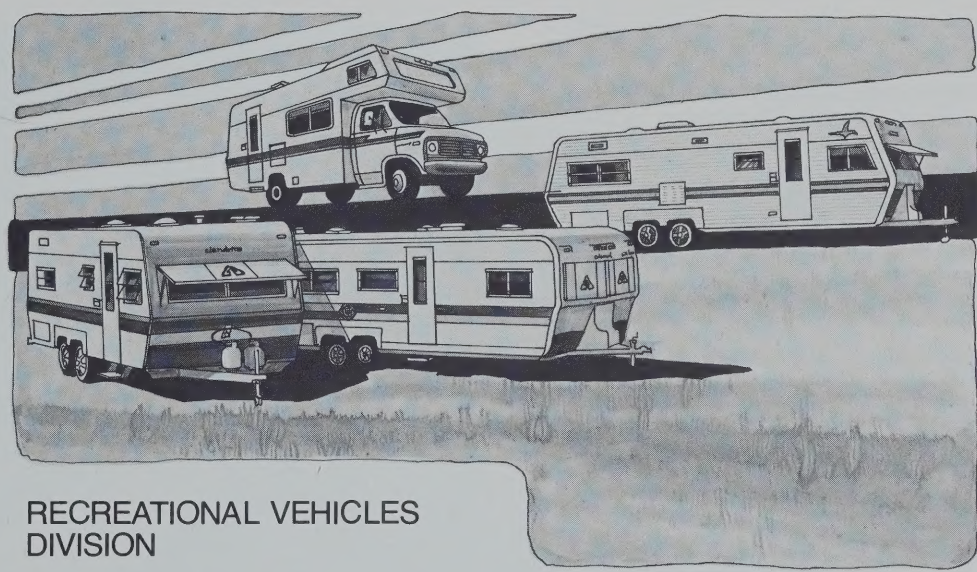
With the product upgrading already accomplished and scheduled for 1977, marketing will be strongly directed to the single family subdivision developer, as well as the more traditional outlets of mobile home parks and dealers.



WESTERN HOMES DIVISION

After an encouraging start, which produced the highest sales of any division, the objective planned for the Company's Western manufacturing division of mobile and modular homes in Wetaskiwin, Alberta, did not materialize. Contrary to all projections, the Western market for these products deteriorated rapidly in the last few months of the year, especially in the Province of Alberta. By year-end the division was also experiencing rather severe internal management problems requiring the immediate attention of the new corporate staff.

Although competition remains fierce in the Western Provinces, the geographical area remains the strongest potential market for mobile homes in the nation and should continue to experience the greatest overall economic growth. Glendale's products continue to enjoy their long-standing reputation for quality and your management is confident that newly established operating policies and procedures will restore the Western Homes Division's share of a most lucrative market.



RECREATIONAL VEHICLES DIVISION

1977 will mark the Strathroy-based Recreational Vehicles Division's 25th year of producing Canada's most respected recreational vehicles. In preparation for the 1977 selling season, the Division's "Golden Falcon" and "Glendette" dealer body was expanded and strengthened, including the implementation of an improved distribution system for the division's products to Quebec and the Maritime Provinces. Both franchises will include a completely redesigned product line of travel trailers, ranging in size from the smallest, which are capable of being towed by compact, imported and domestic automobiles, to the largest allowable by law on our highways. In addition, the division will continue to offer a complete line of totally self-contained motor homes manufactured on Ford, Chrysler and General Motors van chassis.

Management is highly encouraged by the initial acceptance of the Strathroy Recreational Vehicle Division's products at both dealer and consumer level, indicating that the Company's new policies have placed these products in the best competitive position in recent years.

PREBUILT INDUSTRIES LTD.

Many of the management problems which plagued Glendale Corporation in 1976 were unfortunately repeated within this Alberta-based, wholly-owned subsidiary. Your management is now pleased to report that the situation has been strongly dealt with in all areas of personnel, products and operations, resulting in a Company that is poised for an exceptionally strong 1977.

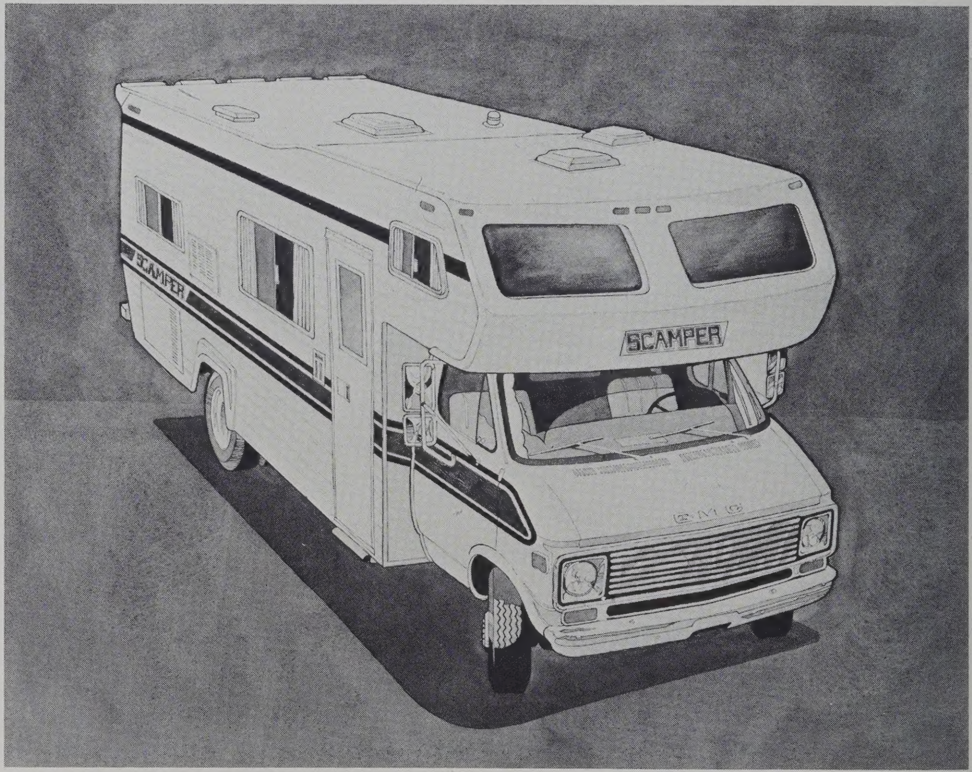
The Company's widely known and highly respected "Scamper" line of recreational vehicles has been completely redesigned and is already receiving unprecedented acceptance.

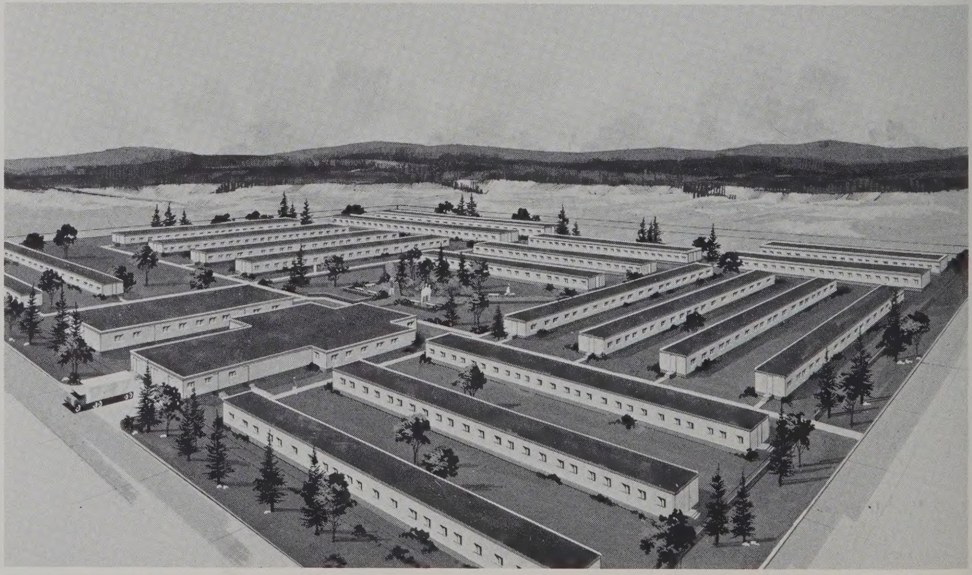
As Canada's second largest producer of relocatable industrial camps, prior decisions to withdraw from this market were reversed, resulting in a production order backlog that enabled the manufacturing facilities for these products to continue producing at full volume throughout the traditionally slow winter months. With the continuing development of Canada's Northern natural resources, as well as numerous foreign opportunities, your management is most enthusiastic over the growth opportunities in this specialized segment of the industry.

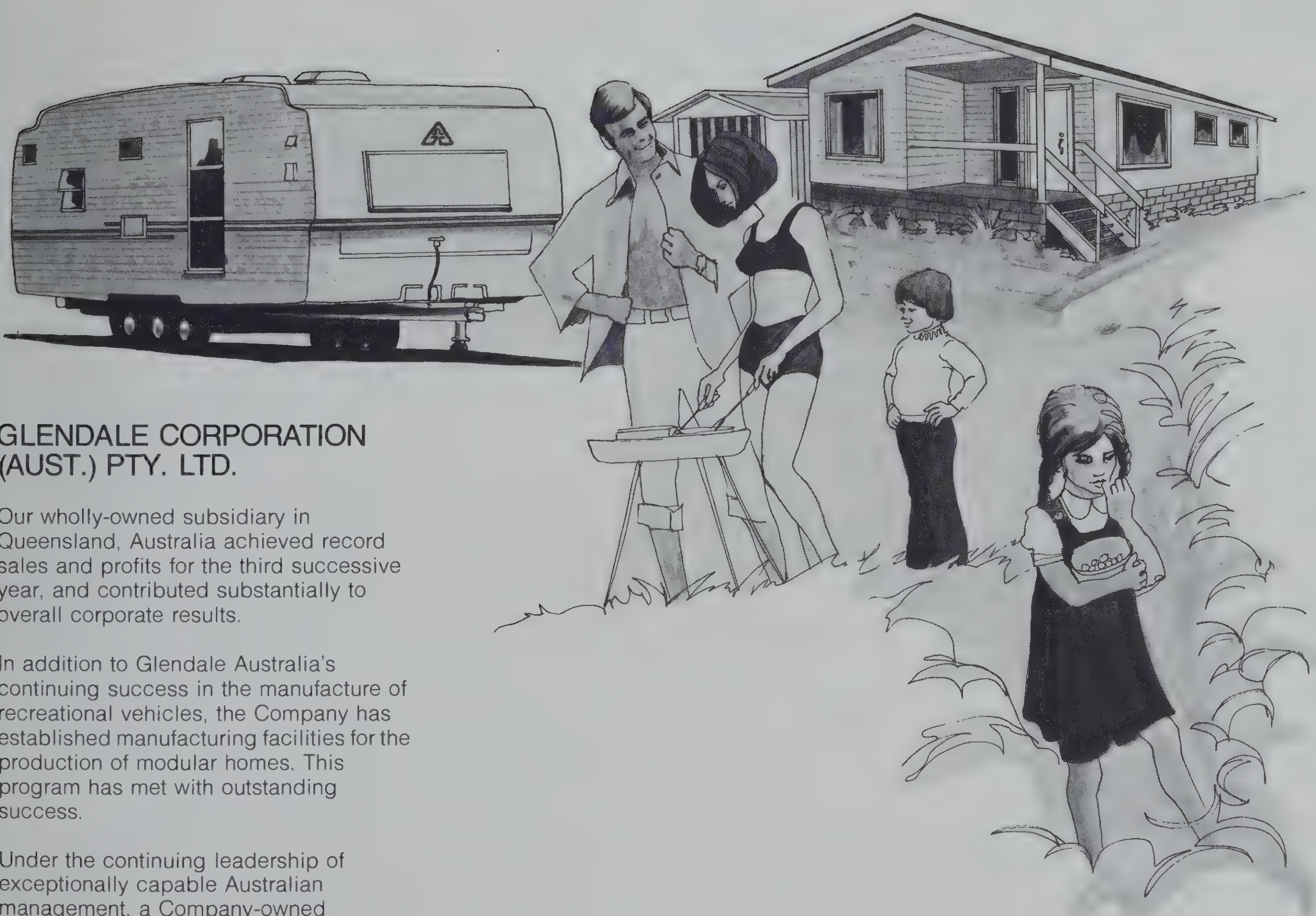
The Company's "Prebco Parts and Accessories Division" continues to remain a major wholesale distributor of recreational vehicle parts and accessories from British Columbia through Ontario. Expansion of this lucrative after-market of the recreational vehicle industry is being given serious consideration by your management.

In conjunction with several major international air carriers, Prebuilt will again be operating a large fleet of rental motor homes in Western Canada.

Retaining its identity as an Alberta based Corporation, Prebuilt Industries Ltd. possesses exceptional growth potential independent of, but compatible with its parent, Glendale Corporation.







GLENDALE CORPORATION (AUST.) PTY. LTD.

Our wholly-owned subsidiary in Queensland, Australia achieved record sales and profits for the third successive year, and contributed substantially to overall corporate results.

In addition to Glendale Australia's continuing success in the manufacture of recreational vehicles, the Company has established manufacturing facilities for the production of modular homes. This program has met with outstanding success.

Under the continuing leadership of exceptionally capable Australian management, a Company-owned recreational vehicle outlet will open shortly in Brisbane that may well set industry standards for excellence in years to come.

Because of the viability of the Australian continent as an expanding market for both recreational vehicles and modular housing, and because of Glendale's early position as a successful, dominant leader in a young Australian industry, your management foresees Glendale Australia developing a constantly increasing contribution to overall corporate results.

Consolidated Balance Sheet

GLENDALE CORPORATION
(Under The Business Corporations Act, Ontario)

AS AT NOVEMBER 30, 1976
(with 1975 figures, as restated, for comparison — Note 8)

ASSETS	**1976**	1975
CURRENT ASSETS:		
Cash	**$ 175,000**	$ -
Accounts receivable	**3,590,000**	7,536,000
Inventories (Note 2)	**11,164,000**	9,659,000
Prepaid expenses	**114,000**	246,000
Taxes recoverable	**-**	102,000
Total current assets	**15,043,000**	17,543,000
MORTGAGES AND NOTES RECEIVABLE	**533,000**	199,000
FIXED ASSETS (Note 3)	**13,202,000**	8,323,000
TOTAL	**$28,778,000**	$26,065,000

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	**1976**	1975
CURRENT LIABILITIES:		
Bank Indebtedness (Note 4)	**$ 7,487,000**	$ 6,024,000
Accounts payable and accrued charges	**7,397,000**	7,968,000
Income taxes payable	**298,000**	-
Other taxes payable	**88,000**	287,000
Long-term debt due within one year	**648,000**	1,067,000
Provision for warranty costs (Note 8)	**432,000**	737,000
Total current liabilities	**16,350,000**	16,083,000
LONG-TERM DEBT (Note 5)	**5,980,000**	6,053,000
DEFERRED INCOME TAXES	**55,000**	1,117,000
SHAREHOLDERS' EQUITY:		
Capital stock (Note 6)	**4,436,000**	4,296,000
Excess of appraisal value of fixed assets over depreciated cost (Note 3)	**6,114,000**	-
Deficit	**(4,157,000)**	(1,484,000)
Total shareholders' equity	**6,393,000**	2,812,000

APPROVED BY THE BOARD

D. MORGAN FIRESTONE Director

G. R. WANNAMAKER Director

TOTAL	**$28,778,000**	$26,065,000

Consolidated Statement of Loss and Deficit

GLENDALE CORPORATION

FOR THE YEAR ENDED NOVEMBER 30, 1976
(with figures for the ten months ended November 30, 1975, as restated, for comparison — Note 8)

	1976	1975 (Ten Months)
NET SALES	**$42,631,000**	$44,692,000
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES	**43,127,000**	43,651,000
LOSS (EARNINGS) BEFORE THE FOLLOWING ITEMS	**496,000**	(1,041,000)
DEPRECIATION	**720,000**	767,000
INTEREST EXPENSE:		
Long-term debt	**754,000**	463,000
Other	**1,050,000**	1,013,000
LOSS BEFORE WRITEDOWN OF INDUSTRIAL RENTAL UNITS AND INCOME TAXES	**3,020,000**	1,202,000
WRITEDOWN OF INDUSTRIAL RENTAL UNITS (Note 3)	**414,000**	-
LOSS BEFORE INCOME TAXES	**3,434,000**	1,202,000
INCOME TAXES (Note 7):		
Current	**301,000**	174,000
Deferred	**(1,062,000)**	(45,000)
	(761,000)	129,000
LOSS FOR THE PERIOD	**2,673,000**	1,331,000
DEFICIT (RETAINED EARNINGS) AT BEGINNING OF THE PERIOD:		
As previously reported	**(93,000)**	(498,000)
Adjustments of prior periods (Note 8)	**1,577,000**	651,000
As restated	**1,484,000**	153,000
DEFICIT AT END OF THE PERIOD	**$ 4,157,000**	$ 1,484,000
LOSS PER SHARE FOR THE PERIOD	**$1.65**	$1.05

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Financial Position

GLENDALE CORPORATION

FOR THE YEAR ENDED NOVEMBER 30, 1976
(with figures for the ten months ended November 30, 1975, as restated, for comparison — Note 8)

	1976	1975 (Ten Months)
FUNDS PROVIDED:		
Increase in long-term debt	**$ 459,000**	$ 2,677,000
Issue of shares	**140,000**	300,000
Proceeds from disposals of fixed assets	**1,556,000**	945,000
Decrease in other assets	-	4,000
Total funds provided	**2,155,000**	3,926,000
FUNDS APPLIED:		
Funds applied to operations	**2,616,000**	802,000
Purchases of fixed assets	**1,440,000**	1,044,000
Reduction of long-term debt	**532,000**	972,000
Increase in other assets	**334,000**	-
Total funds applied	**4,922,000**	2,818,000
(DECREASE) INCREASE IN WORKING CAPITAL FOR THE PERIOD	**(2,767,000)**	1,108,000
WORKING CAPITAL AT BEGINNING OF THE PERIOD:		
As previously reported	**3,037,000**	1,003,000
Adjustments of prior periods (Note 8)	**(1,577,000)**	(651,000)
As restated	**1,460,000**	352,000
WORKING CAPITAL (DEFICIENCY) AT END OF THE PERIOD	**$(1,307,000)**	$ 1,460,000
REPRESENTED BY:		
Current assets	**$15,043,000**	$17,543,000
Less current liabilities	**16,350,000**	16,083,000
	$ (1,307,000)	$ 1,460,000

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

GLENDALE CORPORATION

NOVEMBER 30, 1976

1. Summary of Significant Accounting Policies

Principles of consolidation:

The consolidated financial statements include the accounts of Glendale Corporation and its subsidiaries, all of which are wholly-owned:

Glendale (Quebec) Limited
Glendale (Atlantic) Limited
Prebuilt Industries Ltd.
Glendale Corporation (Aust.) Pty. Ltd.
(formerly Glendale Caravans Pty. Ltd. (Australia))
Glendale Accessories Pty. Ltd. (Australia)

All significant inter-company accounts and transactions have been eliminated.

Valuation of inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is determined substantially on the first-in, first-out basis.

Fixed assets and depreciation:

Fixed assets are recorded at cost, except for certain land and buildings which have been recorded at appraisal values, as more fully described in Note 3.

The net amount of area development incentive grants and forgivable loans received in connection with the expansion of plant facilities has been applied to reduce the carrying value of certain of the fixed assets.

The corporation and its subsidiaries generally provide for depreciation of fixed assets using the straight-line method at rates set out in Note 3, which are designed to amortize book value over the expected useful life of the respective assets. Industrial rental units are valued on the net realizable value method, as more fully described in Note 3(c).

Income taxes:

As described in Note 7, the corporation and certain of its subsidiaries have losses for tax purposes available for application against taxable income of future years. Deferred income taxes relate to timing differences resulting from a subsidiary claiming capital cost allowances for income tax purposes in excess of depreciation recorded for accounting purposes, net of the tax savings related to the subsidiary's current year's tax loss. The tax savings related to all other losses will be recorded in the accounts when realized.

Translation of foreign currencies:

Amounts in foreign currencies have been translated to Canadian dollars as follows:

Current assets and current liabilities — at the exchange rates prevailing at the balance sheet date.

Non-current assets and liabilities — at the exchange rates prevailing at the dates of the transactions.
Income and expense accounts — at the average rates of exchange for the period.

Warranty costs:

The corporation provides for warranty costs based on units produced in the year.

Loss per share:

Loss per share has been calculated using the weighted monthly average of shares outstanding during the period.

2. Inventories

Inventories consist of the following:

	1976	1975
Finished products	**$ 6,792,000**	$5,049,000
Work-in-process	**638,000**	323,000
Raw materials	**3,734,000**	4,287,000
TOTAL	**$11,164,000**	$9,659,000

3. Fixed Assets

(a) The major categories of fixed assets and related depreciation rates are as follows:

	1976	1975	Depreciation Rates
Land — at appraised values	**$ 1,588,000**	$ -	-
Land — at cost	**595,000**	881,000	-
Buildings — at appraised values	**8,604,000**	-	2½% - 5%
Buildings — at cost	**182,000**	5,089,000	2½% - 5%
Machinery and equipment — at cost	**2,020,000**	1,945,000	10% - 30%
Industrial rental units (See 3(c))	**2,892,000**	4,320,000	
Total fixed assets	**15,881,000**	12,235,000	
Less accumulated depreciation	**2,679,000**	3,912,000	
Net fixed assets	**$13,202,000**	$ 8,323,000	

(b) Effective November 30, 1976, the corporation revalued certain land and buildings owned by the corporation and its Canadian subsidiaries, based on appraisals made by General Appraisals Limited, dated January 31, 1977. Fair market value for purposes of these appraisals was defined as the amount at which the properties might exchange between a willing buyer and a willing seller, both having full knowledge of all pertinent facts, and in contemplation of the facilities being retained for continuous use in the same or similar product line. The appraisal values do not necessarily represent the amount that might be anticipated on sale of the properties for alternate use.

A property in British Columbia which is to be sold has been revalued at an amount which is $132,000 in excess of depreciated cost, based on an appraisal made by Harker Appraisals Ltd., dated October 27, 1976. This appraisal was defined to be the highest estimated selling price of the property to a purchaser who buys with full knowledge of all the uses to which it is adapted and for which it is capable of being used.

In addition, the corporation has reflected a revaluation of certain land and buildings of its Australian subsidiaries based on an appraisal performed by Mr. P.V. Roberts, an associate of the Commonwealth Institute of Valuers (Australia), dated January 31, 1974.

The excess of the appraisal value of land and buildings over the depreciated cost of land and buildings at the effective date of the valuations has been recorded in shareholders' equity. The portion of the excess related to buildings will be amortized and transferred to deficit in future years at the rates used for the depreciation of the respective buildings.

(c) At November 30, 1976, a subsidiary changed the basis of valuing its industrial rental units from the straight-line depreciation method over ten years to the net realizable value method applied on a unit basis. The application of this method at November 30, 1976 equates to the straight-line depreciation method over seven years. The effect of this change in accounting method was to increase the loss, net of income tax recovery, for the year ended November 30, 1976 by $207,000.

4. Bank Indebtedness and Loans

Current bank indebtedness and the term loan owing by Glendale Corporation at November 30, 1976 are secured by a demand debenture in the amount of $7,000,000 with a first charge on all land and premises together with all buildings thereon, a first floating charge on all its undertakings and other properties and assets, a guarantee for a portion of the debt by the Chairman and Chief Executive Officer of the corporation, and a specific pledge of the shares of Prebuilt Industries Ltd. On December 22, 1976, the amount of the demand debenture was increased to $12,000,000.

Bank indebtedness and loans of the subsidiaries at November 30, 1976 are secured by the assignment of accounts receivable, inventories and rents accruing on certain lease contracts, and by chattel mortgages on certain industrial rental units.

5. Long-term Debt

Long-term debt consists of the following:

	1976	1975
Glendale Corporation:		
Term bank loan at a rate of interest 1½% over the bank prime rate, repayable monthly over five years commencing February 1, 1978 (Note 4)	$4,875,000	$5,000,000
First mortgage at ½% over the bank prime rate due by November 30, 1976	-	460,000
11¼% first mortgage due 1980	45,000	-
12¼% first mortgage due 1981	40,000	-
	$4,960,000	$5,460,000
Subsidiaries:		
12½% bank loan repayable monthly to August 31, 1978 (Note 4)	278,000	444,000
12-3/4 % bank loan repayable in equal monthly instalments to August 31, 1978.	188,000	-
12½% first mortgage bonds secured by a first mortgage on all fixed assets, and a floating charge on all other assets	500,000	700,000
10% debenture due August 15, 1979	250,000	150,000
10-3/4% first mortgage due by May 1, 1980	39,000	-
Agreements for sale, mortgages and other long-term debt	413,000	366,000
	$1,668,000	$1,660,000
Total long-term debt	6,628,000	7,120,000
Less portion due within one year included in current liabilities	648,000	1,067,000
	$5,980,000	$6,053,000

Principal repayments are due for the years ending November 30, as follows:

1977	$ 648,000
1978	$1,441,000
1979	$1,414,000
1980	$1,072,000
1981	$1,037,000
1982 and thereafter	$1,016,000

6. Capital Stock and Incentive Share Purchase Plan

Authorized capital stock is comprised of the following:

400,000 cumulative redeemable convertible preference shares with a par value of $25 each, redeemable at par together with such premium (if any) as the directors may determine, and

4,000,000 common shares without par value.

Issued and fully paid share capital is comprised of 1,623,251 common shares as at November 30, 1976 (1,523,251 shares as at November 30, 1975).

Under the terms of an Incentive Share Purchase Plan, 100,000 shares were issued by the Corporation at a price of $1.40 per share to an executive and former executives eligible under the plan. Under the terms of the plan the corporation agreed to loan the trustees of the plan $140,000 of which $102,000 remains unpaid at November 30, 1976 and is included in mortgages and notes receivable on the balance sheet.

7. Income Taxes

The corporation and certain of its subsidiaries have losses for income tax purposes of approximately $5,837,000 available for application against taxable income of future years. These tax losses expire as follows:

1979	$ 525,000
1980	2,217,000
1981	3,095,000
	$5,837,000

8. Adjustments of Prior Periods

During the year ended November 30, 1976, the company changed its method of accounting for warranty costs from charging them to earnings when incurred to accruing them at the time of manufacture of the products, in order to better match revenues and expenses. This change has been made on a retroactive basis. As a result, warranty expenses of prior periods amounting to approximately $737,000, of which the net amount of $86,000 relates to units manufactured in 1975, have been charged to these periods.

As a result of a thorough investigation by management during the 1976 year-end and an analysis of information available during the 1975 year-end, it became apparent that inventories were improperly valued and expenses

understated for the period ended November 30, 1975. Accordingly, the 1975 inventories have been reduced by $704,000 to reflect their net realizable value and expenses restated.

The 1975 financial statements have been restated to reflect these changes, as follows:

Provision for warranty expenses:	
1975 —net	$ 86,000
Prior periods	651,000
	$ 737,000
Correction of improper inventory valuation	704,000
Restatement of expenses	136,000
	$1,577,000

Accordingly, the loss for the year ended November 30, 1975, has been increased by $926,000 and retained earnings at that date has been restated to a deficit of $1,484,000.

9. Contingent Liabilities and Commitments

(a) The corporation and its Canadian subsidiaries are contingently liable to repurchase certain units sold with recourse to customers who have financed purchases through finance companies and banks. As at November 30, 1976, the value of such units subject to recourse cannot be precisely determined; however, any loss on units repurchased is not anticipated to be significant. Such contingencies are common to the industry in which Glendale Corporation and its subsidiaries operate.

(b) The corporation has jointly guaranteed bank indebtedness to the extent of $1,000,000 of Glendale-Firan Finance Corporation, a subsidiary company which was incorporated January 26, 1977 for the purpose of providing wholesale financing to dealers and others for the purchases of finished goods of the corporation. As at April 15, 1977, the amount of such bank indebtedness outstanding was approximately $188,000.

(c) A subsidiary has a commitment totalling $111,000 under existing lease agreements.

10. Remuneration of Directors and Senior Officers

Remuneration of directors and senior officers, as defined in the Business Corporations Act, Ontario, for the year ended November 30, 1976 amounted to $336,000 (ten months ended November 30, 1975— $345,000).

11. Anti-Inflation Act

The company is required by law to comply with the guidelines established under the Anti-Inflation Act. The act includes restrictions on prices, profit margins, compensation and dividends.

12. Comparative Figures

Certain 1975 figures have been reclassified to conform to the 1976 presentation.

Auditors' Report

To the Shareholders of Glendale Corporation:

We have examined the consolidated balance sheet of Glendale Corporation as at November 30, 1976 and the consolidated statements of loss, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied upon the reports of other auditors who have examined the financial statements of the Australian subsidiaries, which include aggregate net income of $312,000, and 15% of the net sales and 11% of the total assets shown in these consolidated financial statements.

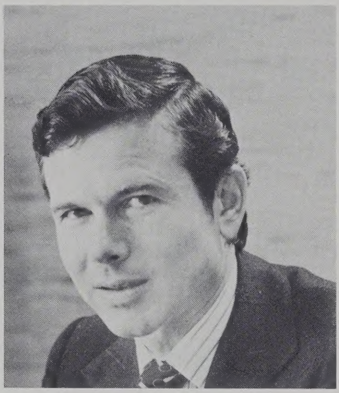
In our opinion, these financial statements present fairly the financial position of the corporation as at November 30, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the recording of certain land and buildings at appraisal values and the change in the method of valuing industrial rental units, as described in Note 3, and after giving retroactive effect to the change in the method of recording warranty costs and other adjustments, as described in Note 8, have been applied on a basis consistent with that of the preceding period, as restated.

Deloitte, Haskins & Sells

Toronto, Ontario
April 15, 1977.

Chartered Accountants.

Directors Officers and Division General Managers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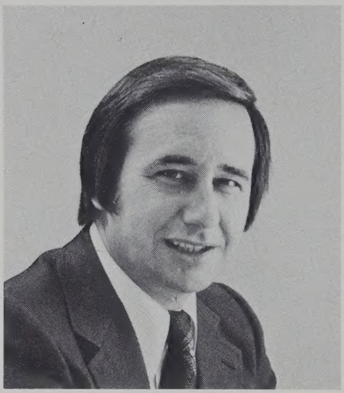
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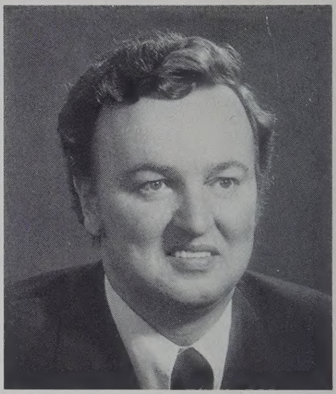
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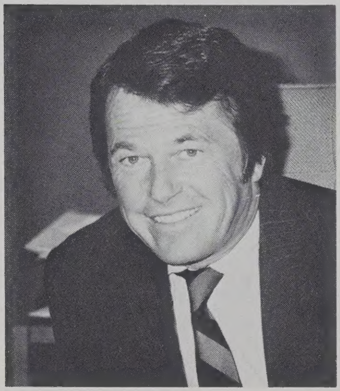
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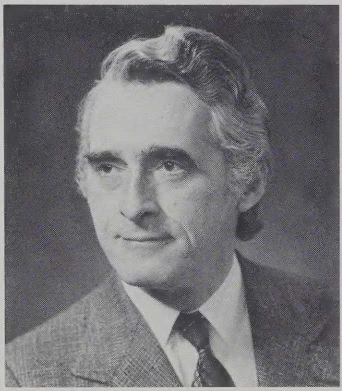
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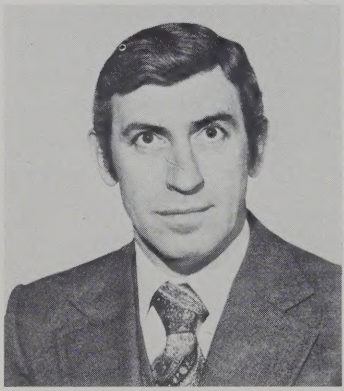
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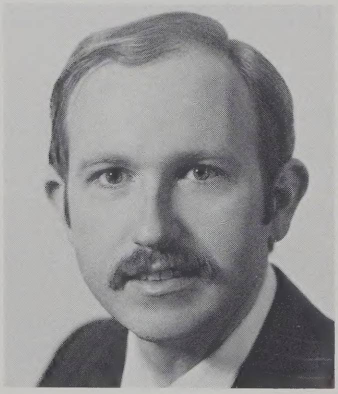
Arne Erickson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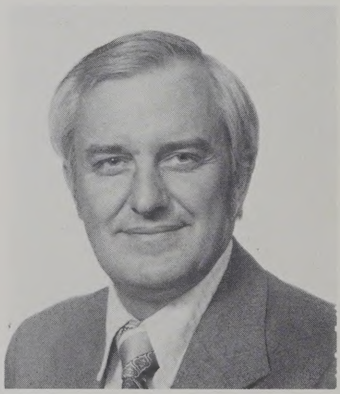
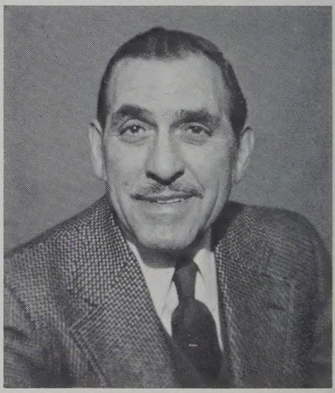

G. W. Nelson


G. C. Russell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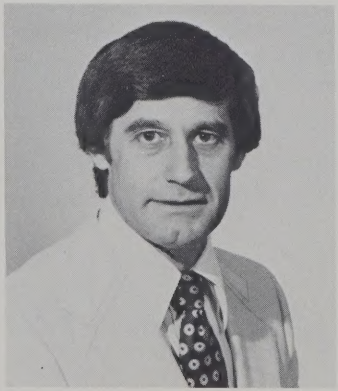
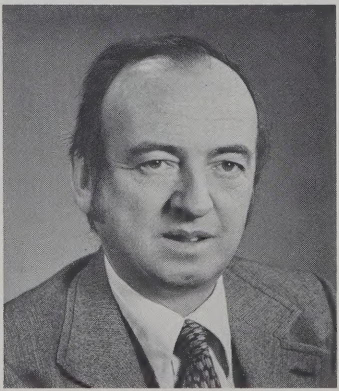
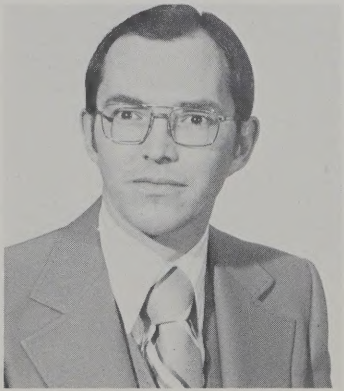

T. Dobrzelewski


R. Cantin


R. E. Oliphant


R. L. Marsellos

DIRECTORS

D. M. Firestone	Chairman and Chief Executive Officer, Glendale Corporation, Oakville, Ontario.
J. Slayter	Executive Vice-President and Chief Operating Officer, Glendale Corporation, Oakville, Ontario.
W. E. Steadman	Executive Vice-President, Graphico Precision Works Ltd., Scarborough, Ontario.
C. A. Nalen	Chairman of the Board and President, STP Corporation, Ft. Lauderdale, Fla.
J. E. Trimble	Company Benefits Manager, Eaton's, Toronto, Ontario.
G. R. Wannamaker	President, Dometic Sales of Canada Ltd., Oakville, Ontario.
Arne Erickson	Chief Financial Officer, Firan International Limited

OFFICERS

D. M. Firestone	Chairman and Chief Executive Officer
J. Slayter	Executive Vice-President and Chief Operating Officer
D. E. Mitchell	Secretary-Treasurer

REGISTRAR AND TRANSFER AGENT

Canada Trust,
Toronto, Ontario.

AUDITORS

Deloitte, Haskins & Sells,
Toronto, Ontario.

SUBSIDIARIES

Glendale (Atlantic) Limited
Glendale (Quebec) Ltee.
Glendale-Firan Finance Corporation
Prebuilt Industries Ltd.
Glendale Corporation (Aust.) Pty. Ltd.

LEGAL COUNSEL

Harrison, Elwood,
London, Ontario.

ANNUAL MEETING

The Annual Meeting of the Shareholders will be held in Oakville, Ontario on Monday, May 30, 1977, at 2:00 p.m. in the Oakville Holiday Inn.

DIVISION GENERAL MANAGERS

G. W. Nelson	Prebuilt
G. C. Russell	Ontario Homes
S. H. Marshall	Ontario R. V.
T. Dobrzelewski	Western Homes
R. Cantin	Quebec
R. E. Oliphant	Glendale-Firan Finance Corporation
R. L. Marsellos	Australia